

Miller, Tom. 2017, *China's Asian Dream: Empire Building along the New Silk Road*. Zed Books. Kindle Edition.

Tom Miller is a senior analyst at Gavekal Research, a global economic research service, and managing editor of *China Economic Quarterly*, published by its sister service Gavekal Dragonomics. Tom was educated at the University of Oxford and the School of Oriental and African Studies (SOAS) in London, and spent two years studying Mandarin in Beijing. A former journalist, he has reported from a dozen countries in Asia. His first book, *China's Urban Billion: The Story Behind the Biggest Migration in Human History* (Zed, 2012), was translated into Chinese. After fourteen years living in China, Tom now divides his time between England and Asia.

Chapter 6

Fiery Waters Mapping The South China Sea

Early on the morning of 23 May 2014, Le Thi Tuyet Mai took a taxi to the front gate of Reunification Palace in Ho Chi Minh City. On the site where the Vietnam War ended on 30 April 1975, she doused herself in fuel and set herself alight. Palace guards put the fire out within a few minutes, but the sixty-seven-year-old was already dead. Beside her burnt corpse, police found banners with hand-written slogans denouncing China's actions in the South China Sea: "Demand unity to smash the Chinese invasion plot", one said.

Le Thi Tuyet Mai's suicide came a week after anti-Chinese protests and deadly riots spread across Vietnam. Factories with Chinese characters on their signboards were attacked, looted, vandalized and torched, including many owned by Taiwanese firms. Hundreds of Chinese and Taiwanese fled the country, fearing for their lives. The protests were ignited by the decision of China National Offshore Oil Corporation (CNOOC) to park an oil rig 120 nautical miles off the Vietnamese coast in waters claimed by both China and Vietnam. CNOOC established an exclusion zone around its US\$1 billion rig, Haiyang Shiyu ("Ocean Oil") 981, and began drilling on 2 May. When Vietnam sent ships and boats to disrupt operations, they were rammed by Chinese vessels. It was the most serious incident in the long-standing territorial dispute between China and Vietnam since the Johnson South Reef Skirmish in 1988, when seventy Vietnamese soldiers were killed. On the streets of Vietnam, it proved a trigger for simmering anti-Chinese feelings to come to the boil.

The Chinese rig was positioned 17 nautical miles off the southwestern edge of the Paracels, a group of 130 coral islands, reefs and sandbanks roughly equidistant from the coastlines of China and Vietnam. Distributed over a maritime area the size of Northern Ireland or Connecticut, the Paracels are claimed by China, Taiwan and Vietnam, but have been controlled by China since it defeated South Vietnamese forces in a maritime battle in 1974. Since the 1980s, Beijing has poured money into bolstering its position in the islands, which are located about 350 km southeast of Hainan Island, home to China's major submarine base. On Woody Island, the largest, it has built a sizeable artificial dock and a runway capable of handling fighter aircraft and

small passenger planes. Since July 2012, the island has officially served as the administrative centre of Sansha, a prefecture-level “city” of Hainan province that administers China’s territorial claims across the South China Sea. Its thousand or so residents are served by shops, offices, hostels, canteens, a post office, a bank, a school and a hospital. Beijing is doing everything it can to turn a once uninhabited island into an indisputable piece of its territory.

No fair observer denies that China has a decent claim over the Paracels—though it is certainly no better than Vietnam’s. But several hundred kilometres to the south, China’s assertion of sovereignty over the Spratly Islands is dubious in the extreme. The Spratlys are an archipelago of more than 750 islands, islets, reefs and atolls lying off the coasts of southern Vietnam, Malaysia and the Philippines. Some or all of these land features are claimed by six states. The example of the James Shoal, which Beijing attests is the “southernmost point of Chinese territory”, shows how farcical its claims have become. Far from being a genuine land formation, the James Shoal is actually a sandbank whose highest point lies a full 22 metres under the sea. It is also located more than 1,500 km from Hainan Island, the most southerly part of Chinese territory uncontested by other countries. The coast of Malaysia, by contrast, is just 80 km away. Yet Beijing says its historical claims trump geography.

China has constructed more than 3,000 acres of artificial islands in the South China Sea since 2014, according to the US Department of Defense. It has focused its most intensive land reclamation efforts in the Spratly Islands, building seven new islets there in 2014–15 alone. Vietnam, Malaysia, the Philippines and Taiwan all began reclaiming land earlier, but China has done so on a much larger scale. Satellite photos released by the Center for Strategic and International Studies in Washington in 2015 showed Chinese dredgers sucking sediment off the seabed and dumping it onto previously submerged sandbanks. At Fiery Cross, China’s most strategically significant island in the Spratlys, it has built port facilities, radar installations and an airstrip long enough to land large transport aircraft. Although Beijing claims most of the construction is for civilian purposes, it is clearly intent on boosting its naval and air capabilities. It has even admitted that it needs a stronger defensive presence in the Spratly Islands precisely because they are so far from the Chinese mainland.

To its Southeast Asian neighbours, China’s behaviour in the South China Sea amounts to a clear policy of expansionism. Here, Xi Jinping’s much-vaunted “Chinese Dream” looks much more like a nightmare. In February 2016, the Pentagon confirmed that China had deployed advanced surface-to-air missiles on Woody Island, and few observers would be surprised if it placed missiles on the Spratly Islands, too. Fearing the growing militarization of the South China Sea, Washington has sided with the other claimants in the dispute. It has frequently warned Beijing over its “aggressive” actions, and sailed warships near disputed islands. The former Philippines president Benigno Aquino repeatedly compared China’s regional expansion to that of Nazi Germany in the 1930s.⁸ “Just as German soil constituted the military front line of the Cold War,” warns Robert Kaplan, an author and security analyst who has advised the Pentagon, “the waters of the South China Sea may constitute the military front line of the coming decades.”

In 1975, Deng Xiaoping told his Vietnamese counterpart Le Duan that the islands of the South China Sea had “belonged to China since ancient times”. Since then, these words have appeared in innumerable official documents to support China’s claim to waters that stretch far into the natural territory of Southeast Asian nations. Beijing buttresses its claim with a map that shows a

U-shaped line made up of nine or ten dashes, sometimes likened to a “cow’s tongue”, running down the coast of Vietnam, along the coasts of mainland Malaysia and Borneo, and looping back up past the islands of the Philippines to Taiwan. Beijing says the map shows its historical ownership of almost the entire South China Sea, but has never properly explained its historical basis. The truth is that China’s claims of ancient sovereignty in the South China Sea are mostly historical nonsense.

For nearly 2,000 years, the South China Sea and the littoral communities of Southeast Asia were a polyglot place of trade and exchange. Land borders were unfixed and maritime boundaries did not exist. There is no archaeological evidence that Chinese ships made trading voyages across the South China Sea until the 10th century, when traders from the kingdom of Minnan set off from the port of Quanzhou in modern-day Fujian province. Chinese trading fleets only began to outnumber those of Southeast Asian traders in the late 16th century—but in no sense did the islands they sailed past “belong” to China. The Ming court sent naval expeditions through the South China Sea under the great eunuch admiral Zheng He in the early 15th century, but this outward-looking period lasted just thirty years. When the Ming Empire turned inwards, Zheng’s maps were burned and his ships left to rot. “China didn’t possess another naval ship capable of reaching the islands of the South China Seas until it was given one by the United States 500 years later,” writes Bill Hayton in his excellent history of the region.

In the 18th century, as Chinese merchants and labourers began to seek their fortunes across Southeast Asia, an “informal empire” began to develop around the rim of the South China Sea. Thousands of Chinese migrants set up plantations or worked in mines, forming communities across the region. But neither these migrants nor the Qing authorities paid much attention to the vast expanse of blue beyond the coast. Chinese merchants generally sailed close to land, fearing that a mythical archipelago off the coast of Indochina blocked access to the seas beyond. This was finally disproved by a hydrographer with the British East India Company in 1821, who published the first chart of the South China Sea containing reasonably accurate maps of the Paracel and Spratly archipelagos. Yet the Chinese state remained geographically in the dark: “There are big rocks, but we do not know anything about them,” the writer Wang Wentai wrote of the Spratlys in 1843.

The basis for the current boundaries of the South China Sea were set by the European powers that colonized much of Southeast Asia in the 19th century, creating fixed states and demarking borders along Westphalian lines. Yet this was to the politics in the region an entirely alien concept. The authority of traditional rulers typically radiated from the centre of their kingdoms, diminishing with distance. National boundaries had always been vague, and maritime boundaries vaguer still. Modern political borders were only established as Western nations divvied up territory between them, extending these boundaries into the sea. In China, modern notions of sovereignty took many years to catch on: the first map produced by China’s new republican government after the overthrow of the Qing Empire showed no borders at all.

In 1914, a Chinese cartographer published a map purporting to show the extent of China’s historic territory when the Qianlong Emperor ascended to the throne in 1735. It showed a line drawn across the South China Sea that went no farther south than 15 degrees north, midway down the Vietnamese coast. The only islands within the line were the Pratas, southwest of Taiwan, and the Paracels. But when, in 1933, the French government announced that it had annexed the Spratly Islands some 1,000 km to the south, the Chinese government reacted. “All our professional geographers say that Triton Island [in the Paracels] is the southernmost island of

our territory,” its Military Council noted in a secret report. “But we could, maybe, find some evidence that the nine islands [in the Spratlys] were part of our territory in the past.” That year it established the Review Committee for Land and Water Maps. In 1935, the committee published a list of islands rightfully belonging to China—including ninety-six in the Spratlys.

A year later, one of the founders of the China Geographical Society went a step further. Bai Meichu was a fervent nationalist who had previously published a map of “Chinese national humiliation” showing the extent of territory lost by China at the hands of European and Japanese imperialists. Demarcating China’s “rightful” territory, his New China Construction Atlas included a U-shaped line looping around almost the entire South China Sea, as far south as the James Shoal. A similar map, showing a U-shaped line formed by 11 dashes, was published by China’s Nationalist government in 1947. After the establishment of the People’s Republic of China in 1949, the new Communist government adopted the map, which was redrawn with nine dashes.

That map has since become the basis of China’s claim to “sovereign rights” over approximately 85% of the South China Sea. In May 2009, when China submitted a map to the United Nations Commission on the Limits of the Continental Shelf, it included a “nine-dash line” marking China’s “indisputable sovereignty over the islands in the South China Sea and the adjacent waters”. This was the first time the “nine-dash line” had been used in an international context, yet it is now clearly marked on every official map of China.

Quite understandably, China’s Southeast Asian neighbours reacted with fury. The publication of the map triggered a rapid deterioration in regional relations, which had improved enormously over the previous twenty years. Despite his statement about the islands of the South China Sea belonging to China since “ancient times”, Deng Xiaoping had been careful not to press China’s territorial claims in the farther reaches of the South China Sea, preferring to stress the potential for economic cooperation. Indeed, Deng used to say that the foreign policy breakthrough he was most proud of was not the full normalization of China’s relations with the United States—it was the transformation of China’s relationship with the countries of Southeast Asia. Once a deadly enemy, China had become their potential partner.

But in 2009 these years of shrewd diplomacy started to unravel. After presenting its map to the UN, China began to press its territorial claims in the South China Sea with more force. It warned Exxon Mobil and BP to stop explorations in waters off Vietnam and began to harass fishing vessels from other countries. For the first time, it started to talk of the 3.5 million square km sea as a “core interest”, on a par with Tibet and Taiwan. This persuaded Washington to join the fray. Secretary of State Hillary Clinton asserted that freedom of navigation in the South China Sea, through which more than half of the world’s merchant tonnage passes, was a US “national interest”. This provoked a furious response from China’s then foreign minister Yang Jiechi at an annual meeting of the Association of Southeast Asian Nations (ASEAN) in Hanoi in July 2010. “China is a big country and other countries are small countries, and that’s just a fact,” he fulminated.

China’s aim was to set the framework in the South China Sea, pushing its smaller neighbours to conform. Indonesia, the biggest power in the organization, reacted by pressing for greater cohesion within ASEAN. China’s nationalist Global Times newspaper warned that ASEAN nations would hear the “sound of cannons” if they did not back down. But Beijing’s belligerent stance backfired: after it pressurized Myanmar and Cambodia to do its bidding within ASEAN,

Bangkok and Singapore closed ranks with Jakarta and Hanoi, in a rare example of collective resolve. Worse, it persuaded Southeast Asian nations to move closer again to the US—just what had infuriated Beijing in the first place. In 2012, as part of its “pivot to Asia”, the US announced plans to revamp its naval deployment across the world’s oceans, with 60% to be concentrated in the Pacific by 2020.¹⁹ China’s relations with ASEAN duly deteriorated further, as it used naval vessels to enforce a fishing ban in waters off the Scarborough Shoal near the Philippines, which responded in January 2013 by making an arbitration appeal to a UN tribunal.

This was the incendiary situation inherited by President Xi Jinping and Premier Li Keqiang when they took over as China’s leaders in March 2013. At the outset, they appeared intent on returning relations to a more positive footing. Sweeping through Southeast Asia in a blizzard of trade and investment deals, Premier Li proposed a new “political consensus” based on expanding mutual benefit, and inked a treaty on “good neighbourliness”. President Xi followed by signing comprehensive strategic partnerships with Indonesia and Malaysia to increase security cooperation and improve economic ties. The new diplomacy culminated in Xi’s call, first made in Jakarta in October 2013, to build a 21st Century Maritime Silk Road.

But the friendly smiles rapidly melted away as Beijing’s new “proactive” diplomacy bared its teeth. The first sign of a more aggressive approach came that November, when China set up an Air Defence Identification Zone (ADIZ) over the East China Sea. This covered the contested Senkaku Islands, known as the Diaoyu Islands in China, which Beijing maintains Japan stole from it in 1895. Any aircraft flying over the East China Sea must report its flight path and respond to inquiries from the Chinese military. China’s argument with Japan is underpinned by a simmering sense of historical wrongdoing that does not apply in Southeast Asia; yet many military analysts nevertheless await a Chinese decision to declare a second ADIZ in the South China Sea.

In early 2014, China turned its attention south. It reasserted its right to regulate fishing across all the waters contained within the “nine-dash line”, and it massively ramped up its programme of land reclamation. Then, for all the talk of mutual development and cooperation, it sent Haiyang Shiyou 981 to drill for oil off Vietnam’s coast, setting off the violent anti-Chinese protests that ended with Le Thi Tuyet Mai’s self-immolation. After its short-lived charm offensive, China’s foreign policy in maritime Southeast Asia had swung to outright provocation, sowing anxiety and bewilderment across the region.

Since 2014, China’s policy in the South China Sea has become openly expansionist. Despite repeatedly promising not to militarize the region, it has done precisely that. If placing advanced surface-to-air missiles on reclaimed islands is not militarization, as China claims, it is hard to know what is. Ostensibly, China’s bull-headed stance looks like a grand strategic error: why undo years of positive diplomacy for so little obvious gain?

It is surely not, primarily, about securing new hydrocarbons. Experts believe the South China Sea contains relatively little oil and gas, and what little there is would be hard to extract: the geology is troublesome and the region suffers from powerful summer typhoons. In a report published in February 2013, the US Energy Information Administration estimated the South China Sea contains commercially viable reserves of 11 billion barrels of oil—certainly worth exploiting, but not enough to excite the oil majors. By comparison, Venezuela has proven oil reserves of nearly 300 billion barrels. More to the point, most of the South China Sea oil is to be

found within individual countries' exclusive economic zones near the coasts; only a fraction lies within the disputed territory of the U-shaped line. China imported 336 million tonnes of crude oil in 2015, equivalent to about 2.5 billion barrels. So even if it secured all of the oil lying under the South China Sea, it would only be enough to satisfy its oil needs for a few years. The South China Sea is far more important as a shipping route for oil than for the oil that lies beneath it.

China's true motivation in the South China Sea is to gain strategic control of its shipping lanes. The South China Sea carries a third of global maritime traffic, including most Chinese exports, and more than 80% of China's oil imports. Beijing, quite rationally, is building a military presence to protect its energy supply lines—a job that is currently done by the US, a geopolitical rival. It is also determined, understandably, to ensure security in its own backyard. Some analysts argue that China is merely repeating what the US did in the 19th century, when it ousted European nations from the Caribbean Sea. “From a Chinese point of view, I believe it makes eminently good sense to turn the South China Sea into a giant Chinese lake,” says John Mearsheimer, a celebrated political scientist. “The Chinese should want to call all the shots in the South China Sea, just the way the United States calls all the shots in the Caribbean.” It is only logical, in his view, for China “to want to dominate Asia the way the United States dominates the western hemisphere”—starting with an adjacent sea crowded with smaller and much weaker powers.

This is straightforward realpolitik. Yet Beijing tries to buttress its position by selectively invoking legal principles to justify its actions. It is a signatory to the United Nations Convention on the Law of the Sea (UNCLOS), which seeks to provide a modern legal basis for maritime claims. Under the convention, habitable islands are entitled to an exclusive economic zone (EEZ) of 200 nautical miles out to sea. The Paracel Islands lie within Vietnam and China's overlapping EEZs, but China has no valid legal claim to the most southerly and easterly rock formations of the South China Sea, many of which are not naturally habitable in any case. Nevertheless, China's official map clearly marks the Spratly Islands and Scarborough Shoal, a triangle-shaped chain of reefs and rocks located 120 nautical miles off the coast of the Philippines, as its territory. It justifies this claim by appealing to historical precedent.

Beijing refuses to accept UN arbitration over its maritime disputes. It has exempted itself from UNCLOS's compulsory settlement procedure for several categories of disputes, including those relating to maritime delimitation. Following the Philippines' arbitration appeal to an international tribunal hosted at the Permanent Court of Arbitration in The Hague, it refused to participate in the proceedings. Instead, it launched a propaganda campaign denouncing the “law-abusing tribunal” as illegitimate. Nevertheless, the tribunal determined that it had jurisdiction to consider seven of Manila's fifteen submissions. Its unanimous verdict, announced in July 2016, went further than anyone expected. It found there was no legal basis for China to claim historic rights within the “nine-dash line”, ruled that Scarborough Shoal is a rock entitled only to a 12 nautical mile territorial sea, and found that none of the land features in the Spratlys are islands entitled to an EEZ. It did not delimit any boundaries or rule on the sovereignty of the islets themselves, but it did invalidate China's claims outside the territorial seas that surround them. It could therefore declare that certain sea areas claimed by China are actually within the existing EEZ of the Philippines, and that China's occupation of Scarborough Shoal had violated Manila's sovereign rights. Beijing declared the verdict “null and void”, but as a signatory of UNCLOS, it is legally bound by it.

Beijing attests the tribunal had no jurisdiction under UNCLOS to make its verdict. It is important for Beijing to pay lip service to the Convention, because it is happy to invoke it when it suits its own ends. In a statement sent to the UN in June 2014, for example, China's foreign ministry contended that Vietnam's attempt to disrupt the Haiyang Shiyou 981 drilling rig constituted "serious infringements upon China's sovereignty" and "gross violations of the relevant international laws, including ... UNCLOS". It claimed that China's effective administration of the nearby Paracels invalidated any territorial dispute: "Since it is closer to Chinese territory, the rig is in Chinese waters." Yet that is precisely the basis of the Philippines' claim over the Scarborough Shoal, which is located closer to its coastline than to any Chinese territory. China also uses its effective control of the Paracels to deny that any legitimate dispute with Vietnam exists—precisely Japan's approach to the Senkaku Islands, which have been administered by Tokyo for 130 years. Beijing, unsurprisingly, wants Tokyo to admit that the Senkakus are indeed disputed. All that can be said of Beijing's arguments is that they are consistently inconsistent.

China's refusal to abide by the rules weakens its political position. In 2002, China and ASEAN member states signed the "Declaration of the Conduct of Parties in the South China Sea", agreeing not to escalate maritime tensions, to resolve territorial disputes by peaceful means, and to abide by the principles of international law, including UNCLOS. It also made agreements both with Vietnam in 2011 to resolve sea-related disputes "through friendly negotiations and consultations" and with the Philippines in 2012 to withdraw its ships from Scarborough Shoal. Far from honouring these agreements, China simply took whatever unilateral action it judged would strengthen its territorial position. The refusal to accept the verdict of the tribunal in The Hague is simply a more egregious example of an oft-repeated pattern. **When it comes to matters of security and sovereignty, China will happily thumb its nose at rules set in the West. International law means little if no one is willing to enforce it.**

In sum, Beijing picks and chooses arguments to help support its claims, but refuses to be bound by them. **It invokes high-sounding principles, but brazenly pursues any policy it believes will strengthen its hand. It insists on resolving disputes bilaterally, but will reach out to the UN or act independently as it sees fit.** It talks responsibly about solving disputes through peaceful means, but its actions are aggressively unilateralist—a strategy that the Vietnamese call "talk and take". Wang Yi, China's foreign minister, expressed the contradictory impulses shaping China's foreign policy at a press conference during the annual meeting of the National People's Congress in 2014. "We are willing to listen to voices from our neighbouring countries and respond to their doubts about China's neighbourhood policy," he said, quite reasonably. "But", he continued, injecting some steel, "we will defend every inch of territory that belongs to us."

China's piece-by-piece expansionism in the South China Sea has been likened to slicing salami. It is careful to ensure that each new piece of territory it slices off is too small to provoke a war in itself, but the accumulated loss will, in time, radically alter the balance of power.³³ So far, this policy has been reasonably successful: China's position in the South China Sea is far stronger than it was a decade ago. But its behaviour is jeopardizing a long-standing principle of its diplomacy—that foreign policy should support domestic ends. The Ministry of Foreign Affairs affirmed this view in a 2011 white paper: "The central goal of China's diplomacy is to create a peaceful and stable international environment for its development." Xi Jinping himself has stated

that China's proactive foreign policy must strive "to safeguard peace and stability" in its neighbourhood. Yet the South China Sea has rarely felt less stable.

China's unremitting salami slicing may backfire. As it continues to upset its neighbours, China is pushing them ever more firmly into the arms of its only genuine strategic competitor—the US. In February 2016, President Obama hosted a special summit with ASEAN leaders at the Sunnylands estate in California. According to the official joint statement, "it marked a watershed year for both ASEAN and for the increasingly close US–ASEAN strategic partnership". The participants reaffirmed mutual respect for "the sovereignty, territorial integrity, equality and political independence of all nations" and the shared commitment to "maintain peace, security and stability in the region", including "ensuring maritime security and safety".³⁶ Washington then announced a US\$250 million initiative to bolster naval and coast guard capabilities in the South China Sea, and the US Congress authorized it to assist Brunei, Indonesia, Malaysia, the Philippines, Singapore, Taiwan and Vietnam in strengthening their maritime security.

All this is clear evidence, Beijing believes, that the US is building an anti-China alliance with ASEAN, along with Japan, Australia and India. US leaders have repeatedly called for a halt to "reclamation, construction and militarization" in the South China Sea, and have backed up these demands with occasional shows of military force. In May 2015, a US Navy surveillance aircraft ignored a Chinese command to leave the Spratly Islands. This brought a belligerent response from Beijing's nationalistic Global Times newspaper, which declared that a "US–China war is inevitable in the South China Sea" unless Washington backed down. In October 2015, the US sailed a destroyer near reclaimed Chinese islands in the Spratlys, receiving public praise from Australia, Japan and the Philippines. And in February 2016, it sent another destroyer to patrol within 12 nautical miles of Triton Island in the Paracels, after it was reported that China had deployed advanced surface-to-air missiles on Woody Island.

Why is the US so worried about China's expansion in the South China Sea? One issue that cannot be ignored is Taiwan. Among the many reasons for China to strengthen its position in the South China Sea is to put military pressure on its "renegade province", or even to facilitate a future blockade or invasion. From a US strategic perspective, Taiwan is at least as important as the Philippines. And from a political perspective, it is much more important: the "Taiwan caucus" in Congress consisted of 205 members in 2016, making it the largest country caucus on Capitol Hill. It is also one of the most active special-interest groups in the legislature. Defending Taiwan is embedded deep in America's China strategy: immediately after President Jimmy Carter normalized relations with the PRC in 1978, Congress passed the Taiwan Relations Act as a counterbalance. The Act requires the US to intervene militarily if China attacks or invades Taiwan. The ultra-realists in the US foreign policy establishment, starting with Henry Kissinger in the 1970s, would happily sacrifice Taiwan to reach a satisfactory accommodation with Beijing. But such a solution is politically impossible so long as Taiwan retains support in Congress.

Yet there is a still greater fear: that China's expansionism in the South China Sea is part of Beijing's grand strategy to replace the US as the dominant power in Asia. The US has enjoyed seventy years as the unrivalled master of the Asia-Pacific, where its powerful military presence has helped to bring both peace and stability—a point emphasized by Singaporean prime minister Lee Hsien Loong in his opening speech at the Shangri-La Dialogue, an annual Asian security summit, in 2015. The US is hardly going to hand over leadership of Asia willingly. Purely in economic terms, so much US trade moves through the South China Sea that it has a genuine

national interest in policing it. It is partly for this reason that Washington has carefully built up an alliance structure to defend its interests, and is so **determined to defend the “rules-based order” that underpins its power.** At 2016’s Shangri-La Dialogue, US Secretary of Defense Ashton Carter demanded that “everyone [must play] by the same rules”. Hammering home his point, he warned China that it “could end up erecting a Great Wall of self-isolation” if it did not.

For its part, China sees “the rules-based order” as a rigged system designed both to contain its legitimate rise and to prop up the US imperium. In the US’s “pivot to Asia”, Beijing sees proof of Washington’s efforts to stymie its attempts to build a regional sphere of influence. Further proof was the Obama administration’s sponsorship of the Trans-Pacific Partnership trade agreement, which Beijing initially saw as a strategic ploy to strengthen US influence in the Asia-Pacific at China’s expense. Although China did not meet the agreed criteria for members, that obstacle did not prevent Vietnam from joining. Defense Secretary Carter seemed to confirm the accuracy of this interpretation in April 2015, when he said that “passing TPP is as important to me as another aircraft carrier”. President Obama followed up that November, declaring that “if we don’t pass this agreement—if America doesn’t write those rules—then countries like China will”.

Where does this leave us? China’s white paper on military strategy released in July 2015 made it clear that the Chinese military would fight back if attacked.⁴⁴ So any US military action in the region risks being perceived by Beijing as an act of war. When nationalist emotions run high, it is foolish to dismiss the chance of war outright—yet a conflagration in the South China Sea remains unlikely. China requires regional stability to deliver domestic growth and prosperity: a conflict with the US would be a huge strategic error, because it would undermine its economic rise. The US has 365,000 active servicemen in the Asia-Pacific, a powerful regional security alliance, and by far the world’s most powerful military. Beijing believes its long-term goals in Asia are best served by keeping the uneasy peace and patiently establishing “facts in the water”. **So China will continue to test Washington’s resolve, but it has no interest in provoking the US into military action. Beijing is careful, for example, to ensure that its reclamation efforts do not threaten international shipping.**

That is why fears that the South China Sea is a cauldron on the verge of bubbling over are probably wide of the mark. China is determined to regain its historical position as the central power in eastern Asia, but it is not in its interest to force the US’s hand. This is especially true now that China’s greatest regional competitor—Japan—is gearing up to play a larger security role. President Shinzo Abe came to power in 2012 on the back of a promise to repeal some of the restrictions imposed on Japan’s military in its pacifist post-War constitution. As a staunch US ally, Japan would certainly act in concert with the US in the event of a conflict. The current machinations in the South China Sea therefore amount to shadow boxing: China is not militarily strong enough to take the area by force, and **it has no choice but to play the long game.**

The overriding question now is how Donald Trump’s government responds to China’s provocations. Beijing viewed the Obama administration as lily-livered and its policies in Southeast Asia as irritating but largely ineffectual. **President Obama’s Asia team was criticized by many in Washington as the weakest since World War II, with little interest in developing a coherent China strategy.** More hawkish observers argue that Washington should formulate a coherent policy to contain China and ramp up the US military presence in the South China Sea. But a concerted effort to prevent China’s rise would risk escalating tensions to genuinely dangerous levels. In the end, the US will surely have to accept China’s desire to play a bigger

role in its backyard, and find a way to shape a new regional order that serves everyone's interests.

VIETNAM

Vietnam's National Museum of History, located in the heart of Hanoi's French Quarter, once went under the exotic moniker of the École Française d'Extrême Orient. Built in 1925–32 by the French architect Ernest Hebrard, it features an octagonal tower with mustard-yellow walls and a terracotta-tiled roof—an audacious, and largely successful, attempt to blend traditional Vietnamese and French architecture. Visitors to the museum's ornamental garden, which is decorated with Buddhist statues and ancient stone steles, can find respite from Hanoi's savage sun in the shade of a giant tree dripping with tropical creepers.

The museum holds an array of Neolithic tools, pots and jewellery, glazed ceramics, bronze drums and funerary objects. Among its most splendid treasures are a series of voluptuous statues dating back to the Kingdom of Champa, a Hindu civilization that flourished a thousand years ago on the coast of central Vietnam. But the National Museum of History is really a celebration of one thing: Vietnam's 2,000-year struggle for independence against invading Chinese armies. From 40 AD to 938 AD—from the Han Dynasty to the Tang Dynasty—the glass displays contain description upon description of Vietnamese heroes rebelling against oppressive occupiers. “During the period when the Han Empire dominated Nam Viet,” one display contends, “the population resisted all attempts at cultural assimilation by the Chinese over a period of one thousand years.” Once the Chinese yoke had finally been thrown off, other displays explain, Vietnam spent a further thousand years repelling invasion after invasion from the north.

One famous victory, during the Song invasion of 1076–77, saw General Ly Thuong Kiet smash a reputed Chinese force of 1 million foot soldiers, 100,000 horses and 2 million labourers. According to the official history, the Chinese retreated with just 23,400 men and 3,174 horses. “The Song wasted 5,190,000 ounces of gold for this war,” a caption reads, next to an exhibit of ancient swords and daggers used to spill invading Chinese blood. National identity, it hammers home, was forged by fighting Chinese invaders. Yet the four lines of rhyming verse attributed to General Ly Thuong Kiet celebrating the victory were written in classical Chinese—for this was a highly Sinicized society, with close cultural links to the very people its own people so despised. The steles erected to commemorate Vietnamese victories, engraved with Chinese characters, were identical to similar stone memorials found all over China.

The largest stele in the museum, four metres high by nearly two metres wide, celebrates the Lam Son Uprising against the occupying Ming army in the early 15th century. Under the leadership of the nobleman Le Loi, the Vietnamese forces spent a decade grinding down the Chinese troops, emerging victorious. In 1428, Le Loi founded the Le Dynasty, and today every city in Vietnam has a street named after him. Yet the object chosen to commemorate his famous victory was entirely Chinese in inspiration and design. Inscribed with classical Chinese and decorated with swirling Chinese dragons, the giant stone stands atop a huge, smiling turtle—a mystical symbol of longevity and fortune in Chinese culture. For all Vietnam's long, bloody and proud history of resistance against the northern invader, Chinese culture permeated every aspect of local life—from the language and cuisine, to the arts and acts of worship. To this day

Vietnamese is larded with Chinese loan words, and the cultural influence from the north is obvious.

The National Museum is a paean, in concrete form, to the Vietnamese struggle for independence. The history it projects defines Vietnamese nationhood in opposition to China; but the truth is rather more complex. Most of this nationalist narrative, journalist and historian Bill Hayton writes, is “anachronistic myth”: the heroic struggles against the “Chinese” were often really disputes between regional rulers who spoke similar languages. “The truth is that, however much we hate the Chinese, we are basically the same as them,” one unusually frank speaker told me over coffee in Ho Chi Minh City. “Historically the Viet people come from the lands south of the Yangtze River in southern China, and then moved further south into modern Vietnam.” In the Vietnamese tradition, ninety-nine Yue (or Viet) clans were incorporated and acculturated into China; only one, the Nan Yue—the southern Viets—kept their identity. The first time the two countries known today as China and Vietnam fought a war was in 1979, when Vietnam battled off an incursion by tens of thousands of People’s Liberation Army troops.

The salient point for modern relations between China and Vietnam is that most Vietnamese still regard China as the eternal enemy. Whereas US Army veterans returning to Vietnam are invariably greeted with friendliness—despite fighting against the winning Communist forces in the Vietnam War—Chinese businessmen and tourists are treated warily. Since the oil rig debacle, public opinion has turned even more hostile. According to the 2015 Pew Research Survey on global attitudes, Vietnamese hold an overwhelmingly negative view of China. Seventy-four percent of those surveyed said they viewed China “unfavourably”, more than in any country other than Japan. It is common to hear people talk of being “born with anti-Chinese feeling in our blood”: the hatred many ordinary Vietnamese feel for their northern neighbours is visceral.

In the political sphere, these feelings are complicated by the debt owed by the Communist Party of Vietnam (CPV) to its big brother in Beijing, which supplied the Communist North with rice and rockets during its bitter struggle with the South, in what the Vietnamese call the Resistance War Against America. Relations deteriorated in the late 1970s, when the Vietnamese Politburo concluded that the Khmer Rouge regime in neighbouring Cambodia, which had been attacking Vietnamese border villages, was a proxy of China. Tensions were exacerbated by Vietnam’s close relationship with the Soviet Union, China’s arch enemy. After Vietnam invaded and occupied Cambodia in 1978, China and Vietnam fought a brief border war in 1979. This was followed by a naval skirmish over the Johnson South Reef in the Spratly Islands in 1988.

As the Soviet Union began to dissolve, however, China began to reassert its grip over its little Communist brother. After both sets of Communist Party leaders met for secret talks in Chengdu in 1990, bilateral ties were officially normalized. The CCP’s political influence in Hanoi grew rapidly in the 1990s, and is retained to this day. Ordinary Vietnamese believe the political and military establishments to be riddled with Chinese spies. Much patriotic anti-Chinese sentiment contains within it implicit criticism of the Vietnamese Communist Party, which is still considered too close to Beijing.

One of the most virulent critics of China’s political influence is Tuong Lai, a former head of the Academy of Social Sciences of Vietnam and an adviser to two former Vietnamese prime ministers. A frequent contributor to the op-ed pages of the New York Times, Tuong Lai advocates further economic reform and a closer relationship with the US. In this he is

representative of a band of Vietnamese dissidents pushing for political reform. In 2013, he helped pen an open letter to the Party's general secretary, Nguyen Phu Trong, urging constitutional changes to "ensure that real power belongs to the people". Other critics would not get away with voicing such forthright views, but **Tuong Lai is too well-connected (and probably too old) to be sent to jail.**

On a hot May morning in Ho Chi Minh City, I jumped on the back of my translator's scooter and joined the rush-hour madness for the thirty-minute ride to Tuong Lai's home in the south of the city. Millions of motorbikes buzzed like a giant swarm of angry bees as we flew past mangrove swamps and the rusting warehouses of the old port on the Saigon River. Silver haired and casually dressed in a striped polo shirt, Tuong Lai greeted us in a modern, airy flat decorated with framed posters of classical Vietnamese poetry written in traditional Chinese characters. Over green tea served in bamboo cups, he launched into a long history of Vietnam's troubled relations with the Chinese. "The struggle against an expansionist China is the struggle against the evil inside Vietnamese leadership—the ones who follow Chinese ideology," he began. "China is becoming increasingly aggressive in the South China Sea. This is a tremendous threat to Vietnam's sovereignty." The failure of General Secretary Trong to complain about China's provocative maritime actions during his visit to Beijing in 2015 was "an act of treason", he declared, wagging his index finger passionately.

Rising to his theme, Dr Tuong explained how China was deliberately challenging the US for leadership in Asia. "The current expansionist policy of Beijing in the South China Sea is a consistent policy," he continued.

The policy of "keeping a low profile" was just a tactical move by Deng Xiaoping, waiting for a right time to project Chinese power overseas. The security environment in the 21st century is very complicated for Washington, which is facing many difficulties around the world, especially in the Middle East and with Russia. China's leaders have realized this is the right time to change their approach.

China's ambition, he concluded, is to finish what it has been trying to do for 2,000 years: "China wants to turn Vietnam into a vassal state. The South China Sea is the focal point in China's grand strategy to become a superpower."

In Hanoi, the official line is less provocative. It goes something like this: "China is our big neighbour, whether we like it or not. This is the tyranny of geography. So we should do our best to work with China and not deliberately irritate it." Yet that stance is increasingly being questioned, even among the pro-Beijing faction within the CPV. Institutional ties still exist between the two Communist parties, but they are fraying. Under a foreign policy framework approved by Vietnam's Politburo in 2013, Vietnam treats China as a partner on economic and ideological matters, and as an adversary in the South China Sea. But following the oil rig incident in 2014, which underlined **Chinese contempt for both Vietnam's sovereignty and international law, the pro-Beijing faction seemed to be in retreat.** "Vietnam has always wanted peace and friendship with China," Prime Minister Nguyen Tan Dung said that year. "But we cannot trade our sacred independence and sovereignty for some elusive peace or any type of dependence."

Xi Jinping's visit to Vietnam in November 2015, the first by a Chinese president in a decade, was billed by Western media as Beijing's attempt to claw back its lost influence. **His trip was carefully timed ahead of the CPV's 12th National Congress in January 2016, a meeting of**

Communist leaders that would determine who would rule Vietnam for the next five years. Xi's visit was greeted by street protests in Hanoi and Ho Chi Minh City, and anti-Chinese protests on social media. But Xi also received a twenty-one-gun salute in Hanoi, where he was granted a rare invitation to address the National Assembly. In his twenty-minute speech, Xi laid it on thick: "China and Vietnam enjoy comradely and brotherly friendship," he said, "drinking water from the same river." He spoke of the "traditional friendship" and "mutual trust" between the two neighbours. Xinhua, the official Chinese press agency, reported that Xi's speech was greeted "warmly"; but his friendly exhortations were actually received in stony silence. "The atmosphere was very tense," an anonymous Vietnamese official told the *Washington Post*.

President Xi used the latter half of his speech to press for further economic cooperation. "Both sides should join efforts to create a regional order and environment that bring more benefits to Asia and the world at large," he said. For Beijing, such "win-win cooperation" is really about boosting regional prosperity under a Chinese-led regional order—precisely what patriotic Vietnamese want to avoid. Beijing is only too aware how economically reliant Vietnam is on China. A full 20% of Vietnam's trade is with its northern neighbour, which is the source of nearly 30% of its imports. 57 The bilateral trade deficit, which hovers around the US \$ 25 billion mark, vexes Hanoi. It knows that its export industries, on which so much of its future growth depends, rely on imports of raw materials and inputs from China.

Economically, Beijing has most of the leverage. Consider the following facts. Vietnam's GDP of US \$ 194 billion in 2015 was smaller than the economies of its provincial Chinese neighbours, Guangxi (US \$ 270 billion) and Yunnan (US \$ 220 billion), even though they are ranked among China's poorest provinces. Vietnam would like to resemble Guangdong, China's export powerhouse, but Guangdong's economy is six times larger. Guangdong's exports were worth US \$ 746 billion in 2014, compared with Vietnam's US \$ 150 billion. Much of northern Vietnam is mountainous and poor, and reliant on China for electricity. After the oil rig incident in 2014, a debate raged across Vietnam about the economic costs of "escaping from China". Hanoi's economists calculated that GDP would shrink by 10–15% if China placed sanctions on it. If Vietnam is to develop, it literally cannot afford to alienate Beijing.

For its part, China sees huge potential to invest more in Vietnam. For all Beijing's high-flown rhetoric about being the engine of Asian development, China's investment record there is unimpressive. Chinese bauxite mines and processing facilities in the scenic Central Highlands are popularly regarded as exploitative. The owners have been accused of harming the local environment and shipping in their own workers, inciting protests. A canal clearance project undertaken by a Chinese firm in Ho Chi Minh City is regarded as a disaster. And protestors blocked a national highway for five days in April 2015 demanding an end to pollution from a Chinese-built power station. China's accumulated investment of US \$ 8 billion in Vietnam ranks ninth, far behind bigger investors like South Korea, Japan and Taiwan, and now also eclipsed by the US.

In his speech to the National Assembly, President Xi specifically mentioned improving transport infrastructure between the two countries under the Belt and Road Initiative. 61 Here China's ambitions tie in with existing projects with multilateral backing. In 2009 the Asian Development Bank identified twenty-one "flagship" infrastructure projects—twelve transport projects and nine energy projects—crucial for regional growth. Among them was a new expressway to connect the region of Guangxi in southern China with Hanoi in north Vietnam, via the border province of Lang Son. Here and in other parts of the Greater Mekong Subregion, the

ADB believes that a more efficient transport artery will boost trade and investment, and give impoverished farmers better access to markets.

Vietnamese and Chinese officials have been promising great things for Lang Son for a decade. In 2008 a “border gate economic zone” was formally established to create an economic corridor running from Guangxi to Hanoi and the port city of Haiphong. In 2013, following Premier Li Keqiang’s visit, Vietnam and China agreed to set up a new economic zone there, along with three others on the border. They talked of building bonded warehouses and an industrial park to welcome export processors from China. The Hanoi–Lang Son Expressway, they promised, would be completed by 2015.

When I visited Lang Son that summer, however, construction on the expressway had yet to begin. The bus from Hanoi wound through glorious countryside along an old highway that showed little evidence of trade, commerce or industry. Farmers in conical hats walked water buffalo through the fields; villagers sipped iced tea at the roadside. Lang Son City, which is located just 15 km from the Chinese border, could have been anywhere. No one I spoke to understood Chinese, even in the large central market. Even stranger was the absence of trucks shipping Chinese goods over the border. Unlike the market towns of northern Laos or northeastern Myanmar, where markets bustle with Chinese traders, China felt a long way away. A busy cross-border economic corridor this most certainly was not.

Anti-Chinese feelings run especially deep in Lang Son, for centuries the first port of call for Chinese marauders. In the 1979 border war, the city was captured and partly destroyed by the invading Chinese army, which conducted fierce house-to-house fighting in the streets. With memories of the war still fresh, it is no surprise that locals remain wary of China. In principle, Beijing’s financing and infrastructure push has much to recommend it: China’s own experience shows how vast investment can successfully stimulate economic development. Yet China cannot simply push its development model over its borders without first overcoming the weight of history and popular fear.

China’s ambitions in Vietnam are also hampered by its constructions firms’ reputation for shoddy building practices. Take China Railway Group (CRG), which is building part of Hanoi’s new urban rail system, financed with US \$ 419 million of Chinese development aid loans. When I visited one of its new stations in May 2015, I found a construction site filled with rubble, twisted rebar and pools of fetid water. The railway was running three years behind schedule and way over budget. The previous December, a scaffolding collapse had rained steel and concrete onto a taxi carrying three passengers. Barely a month before that, a motorcyclist was killed after reels of steel fell from the same construction site. CRG has built thousands of kilometres of railway track across China, yet Hanoi residents fear that the metro will collapse. CRG’s corporate logo is conspicuous by its absence in the city: it is in no one’s interest to advertise Chinese involvement.

In Ho Chi Minh City, where two Japanese companies are building that city’s first metro system, the scene was altogether different. In the central square opposite the ornate French-built opera house, a billboard showed a red Japanese sun next to a yellow Vietnamese star; it informed passers-by that the project was an example of “Vietnam–Japan Friendship and Cooperation”. Shimizu and Maeda, the two Japanese contractors, receive funding from their government’s aid agency—part of Tokyo’s effort to ramp up Japanese aid and investment in the face of Chinese competition. While Chinese investment is resented, Japanese investment is embraced.

I watched the progress on the metro from my window in the Hotel Continental Saigon, supposedly the oldest in the city. Built in the 1880s, the hotel's white Doric columns and cream façade evoke the lost colonial age of French Indochine. By the 1930s, Saigon was regarded as one of the great colonial metropolises of the East. Today, though colonial offices and villas are felled one after another to make way for high-rise buildings, tourists still throng to the twin spires of the Roman Catholic cathedral and the magnificent edifice of the General Post Office. In truth, Saigon at that time was home to around only 125,000 people, including barely more than 12,000 French. Compared to Shanghai, whose population approached 3 million—including more than 100,000 foreigners—it was little more than a trading outpost. By the 1950s, as the French colonial project was coming to an end, Graham Greene took up residence in the Hotel Continental and penned his classic tale of its disintegration, *The Quiet American*.

More than half a century later, Saigon is beginning to fulfil its promise. Renamed Ho Chi Minh City after falling to Communist troops in May 1975, its population has swollen to 10 million, making it easily the second largest city in mainland Southeast Asia, behind only Bangkok. The streets thrum and roar with the noise of 6 million scooters, and there is an excellent choice of international cuisine. If economic reforms can push development beyond its commercial capital, Vietnam may thrive while maintaining its economic independence. The prospect of closer ASEAN economic integration, combined with growing domestic consumption and low labour costs, have already turned it into a hub for foreign manufacturers. It has plenty of economic suitors: after China, Vietnam attracted more greenfield FDI than any other country in Asia in 2014 (though it was overtaken in 2015 by India and Indonesia).

One reason for optimism had been Vietnam's inclusion in the US-led Trans-Pacific Partnership, a multilateral trade pact designed to encompass 40% of the global economy. Vietnam was expected to be the biggest winner among the twelve members of the TPP, before Donald Trump's election radically reduced the chances of it ever being ratified. According to one assessment, its economy would gain 11% and exports jump 28% within a decade, reducing its trade reliance on China. If Vietnam were to let state-owned enterprises die and keep steering support to the private sector, in accordance with the TPP's original anti-competition provisions, a reformed pact could yet benefit the economy. Given that the TPP was expected to provide the impetus for market-opening reforms, some Vietnamese viewed it as merely the latest episode in the country's 2,000-year struggle for independence from China.

The significance of the TPP, says Professor Tuong Lai, went far beyond economics. Vietnam's membership "would realign geopolitical relations in the region and help stave off China's expansionism in the South China Sea", he argued in an April 2015 piece for the New York Times. Hanoi began negotiations on the TPP back in 2008, but Vietnamese analysts say the US had to cajole it through the process. Hanoi's uncertainty probably reflected residual distrust of the US within the Vietnamese Communist Party. But the visit by Communist Party leader Trong to Washington in July 2015, where he was received by President Obama in the Oval Office, capped a year of frenzied diplomacy between the two countries. Vietnam's decision to sign up to the TPP in February 2016 marked an important step in its counterbalance against China.

The burgeoning relationship between the US and Vietnam was on full show in May 2016, when President Obama's visit brought excited crowds onto the streets of Hanoi—in marked

contrast to Xi's strained visit six months earlier. More than four decades after the Vietnam War ended, Vietnam is one of the most US-friendly nations in Asia: 78% of Vietnamese citizens had a favourable view of the US in 2015, according to the Pew global attitudes survey. The corresponding figure for China was just 19%. Announcing the lifting of a decades-long ban on the sale of military equipment to Vietnam, Obama insisted that the move was "not based on China". But his comments were clearly aimed at Beijing: "Vietnam will have greater access to the equipment you need to improve your security. Nations are sovereign and no matter how large or small a nation may be, its territory should be respected," he said. "Big nations should not bully smaller ones. Disputes should be resolved peacefully." "China's behaviour is pushing Vietnam closer to the US," Dr Truong-Minh Vu, director of the Centre for International Studies think tank in Ho Chi Minh City, told me over lunch.

After the South China Sea issue blew up in 2009, the government began to discuss how to deal with Chinese assertiveness. It began to pursue a policy of balancing and hedging—economically, diplomatically and militarily.

Vietnam has moved closer to the US, Japan, Russia and India. In addition to a proposed free trade agreement with the EU, Vietnam has signed similar agreements with South Korea and the Russia-led Eurasian Economic Union. It is rapidly modernizing its navy and has begun conducting joint operations with elements of the US Pacific Fleet—though it will be careful not to get too close to the US. "Vietnam does not want to be seen to be choosing sides and allying itself against China," Vu explained.

The geographical reality is that Vietnam cannot escape entirely from China's orbit, yet nor is it condemned to be controlled by its giant neighbour. Since no one doubts Beijing's intention to secure effective control of the South China Sea, Hanoi must formulate a tough-minded response that does not cripple the country economically. "The focus of the debate is not about whether Vietnam should submit to or distance itself from China," Murray Hiebert of the Center for Strategic and International Studies testified to US Congress in May 2015, "but rather how and to what extent it can use its growing partnerships with countries such as the United States, Japan and India to keep Chinese assertiveness in check."

For Beijing, Vietnam is an acid test of its Asian diplomacy. In June 2015, ahead of General Secretary Trong's visit to Washington, CNOOC once again moved its oil rig close to Vietnam's coast. Trong, who unexpectedly won the power struggle to remain Party leader in January 2016, is generally seen as a member of the pro-China faction. But his successful meetings with President Obama signalled Hanoi's drift away from Beijing in order to protect its strategic autonomy. It was further evidence that Beijing's uncompromising stance in the South China Sea, for all its apparent rapprochement with new Philippines president Rodrigo Duterte in October 2016, risks pushing its neighbours into the US's welcoming arms. "China's goal of forging 'common prosperity' cannot work in Vietnam so long as there are conflicts of sovereignty in the South China Sea," said Dr Vu. "They need to understand that they can buy neither our sovereignty nor our good will with money."